

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2001-49-G - ORDER NO. 2001-403

APRIL 30, 2001

| | | |
|--|---|--------------------|
| IN RE: Petition of Consumer Advocate for the State |) | ORDER DENYING |
| of South Carolina to Investigate the Current |) | ESTABLISHMENT OF A |
| State of the Natural Gas Industry in South |) | DOCKET |
| Carolina. |) | |

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition of the Consumer Advocate for the State of South Carolina (the Consumer Advocate) to establish a docket in order to investigate the current state of the natural gas industry in South Carolina.

The Consumer Advocate noted that there has been a drastic increase in natural gas bills, and that these increases have a negative impact on businesses and industries, reduce the spending power of the population and may increase the burden on the economy of the State. The Consumer Advocate cites a combination of circumstances contributing to the present situation, including a decrease in production, and an increase in consumption. Further, the Consumer Advocate states that most newly constructed and planned electric generation uses gas-fired technology, and, further, that there is a boom in housing construction that contributed to an increased demand for natural gas, and a decreasing emphasis on demand-side management. The Consumer Advocate states a belief that a comprehensive examination beyond the scope of the individual utilities is warranted in the present situation.

South Carolina Electric & Gas Company (SCE&G) responded to the Petition of the Consumer Advocate. First, SCE&G acknowledges that the current wholesale cost of natural gas in recent months has substantially increased due to gas market conditions. The Commission has addressed the cost of gas issued in the Company's annual PGA proceedings, specifically the 1999 and 2000 proceedings, as well as with regard to out-of-period gas rate adjustments. Thus, SCE&G states that there is already a substantial record before the Commission addressing the cost of natural gas and factors affecting this cost.

SCE&G also notes that it is unable to envision a means by which the State of South Carolina could control market pricing of natural gas, and that further formal inquiry into the matter is unlikely to identify additional pricing information that has not already been provided to the Commission.

With regard to integrated resource planning mentioned by the Consumer Advocate in his Petition, SCE&G notes that the requirement that gas utilities file Integrated Resource Plans has been repealed by the South Carolina General Assembly, and the Commission, accordingly, has not required the filing of such plans. Therefore, SCE&G does not believe that the topic lends itself for consideration by the Commission. Considering various matters cited by the Consumer Advocate, SCE&G states that it does not object to informal proceedings for discussion.

Piedmont Natural Gas Company also replied to the Consumer Advocate's Petition. Piedmont states that the cost of gas is a national issue, which necessitates a national solution, rather than one by the State of South Carolina. Piedmont then outlined

the various ways that it has kept this Commission, the Consumer Advocate, and the public informed, in anticipation of higher gas costs.

Piedmont opposes the establishment of a formal docket in this matter for several reasons. First, Piedmont believes that such a formal investigation would require the expenditure of time and money that could best be expended by it in working with its suppliers and customers in keeping bills lower. Second, since Piedmont believes that the current increase in wholesale prices is a national problem relating in large part to an imbalance of national supply and national demand, there is very little that the Commission can do to lower these wholesale prices. Third, Piedmont believes that it would be far more productive for the Commission, the Consumer Advocate, and the LDCs to work together in a cooperative, non-adversarial and informal basis to address these issues. Piedmont also addressed specifically each of the points proposed for investigation in the Consumer Advocate's Petition.

In order to gain further insight into issues related to this Petition, we held oral arguments on the matter on April 17, 2001. All of the parties cited above were allowed to argue their positions, as was the Commission Staff, which also did not oppose informal discussions.

We have examined this matter, and have concluded that the Consumer Advocate's Petition should be denied. We agree with Piedmont that the cost of gas is a national issue, which requires a national solution. We do not believe that our jurisdiction reaches so far as to encompass the root of this problem. This Commission does study and rule on an

individual utility basis in PGA proceedings on many of the cost issues raised by the Consumer Advocate on the statewide ramifications of the cost of gas.

This Commission notes that the Consumer Advocate includes in his Petition the issue of the state of integrated resource planning with a particular emphasis on demand side management. Although the South Carolina General Assembly has repealed the requirement that gas utilities file integrated resource plans, we believe that a potential forum for informal discussions of this and the other issues cited by the Consumer Advocate would be with the Energy Advisory Committee established by S.C. Code Ann. Section 48-52-440 (Supp. 2000). We would also note parenthetically the prohibition against duplicative studies of conservation measures found in S.C. Code Ann. Section 48-52-435 (Supp. 2000). This would seem to support further our position not to establish a docket in this matter.

We would state finally that this holding is not meant to discourage informal discussions among the parties on these or any other gas issues as may be desired. We simply decline to establish a docket for this purpose at this time. The Consumer Advocate's Petition is denied.

APRIL 30, 2001

PAGE 5

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)